VZCZCXYZ0000
RR RUEHWEB

DE RUEHBW #0082/01 0162200
ZNR UUUUU ZZH
R 162159Z JAN 10
FM AMEMBASSY BELGRADE
TO RUEHC/SECSTATE WASHDC 0586
INFO RUCPCIM/CIM NTDB WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHBW/AMEMBASSY BELGRADE

UNCLAS BELGRADE 000082

SIPDIS
STATE PASS TO USTR
DPT FOR EB/IFD/OIA DJAHN AND TJWALSH

E.O. 12958: N/A
TAGS: EINV EFIN ETRD KTDB PGOV OPIC USTR SR
SUBJECT: SERBIA: INVESTMENT CLIMATE STATEMENT 2010

¶1. The following is Post's submission for the 2010 Investment Climate Statement:

¶A. Openness to Foreign Investment

Serbia is open to foreign direct investment (FDI), and attracting FDI is increasingly a priority for the government of Serbia (GoS). Serbia has a long history of international commerce, even under communism, and it once attracted a sizeable foreign company presence.

Serbia has enacted specific legislation outlining guarantees and safeguards for foreign investors. The current Law on Foreign Investments establishes the framework for investment in Serbia. The law eliminates previous investment restrictions; extends national treatment to foreign investors; allows the transfer/repatriation of profits and dividends; provides guarantees against expropriation; and allows customs duty waivers for equipment imported as capital-in-kind. In order to attract FDI, Serbia developed a range of incentives for investors in 2006, including cash grants to investors that create significant new jobs, as well as tax incentives in the form of credits, cuts in payroll contributions and reduced corporate tax rates. The Government expanded these programs in July 2008.

These and other legislative changes designed to bring Serbia in compliance with European Union requirements were largely adopted on a piecemeal basis. In December 2009 the Government implemented the initial steps of a long sought "regulatory guillotine" project with the intent to remove one third of Serbia's unnecessary, outdated and often contradictory regulations.

The privatization process for the approximately 150 remaining socially-owned companies (a Yugoslav-era definition for "worker-owned" firms, not larger state-owned firms) is wrapping up, with tenders and auction procedures started underway. Serbia welcomes foreign participation in privatization.

A foreign investor or entity may not establish an enterprise in the

defense sector or in areas defined as restricted zones by law. A foreign investor may establish an enterprise in the above-mentioned field or areas, or invest in it together with a domestic entity, but without acquiring the majority rights to manage such an enterprise, and only with the consent of the Ministry of Defense.

The Serbian Investment and Export Promotion Agency (SIEPA) provides direct assistance to investors. In addition, the Privatization Agency provides information and works with potential investors to educate them about the privatization program and related opportunities. In early 2010, Serbia will dispatch "Economic Diplomats" to several of its foreign missions to promote foreign investment. One of these offices will be in Chicago.

Serbia??????s ranking by key indices is as follows:

Index:	Most Recent Ranking
Transparency International: Corruption	3.5
Heritage Economic Freedom:	56.6 (109th of 183)
World Bank Doing Business	88th
* MCC Government Effectiveness	-0.28
* MCC Rule of Law	-0.46
* MCC Control of Corruption	-0.16
* MCC Regulatory Quality	-0.21
* MCC Business Start Up	73rd

¶B. Conversion and Transfer Policies

The Serbian Foreign Investment Law guarantees the right to transfer and repatriate profits from Serbia.

Serbian law allows capital flows, including:

(1) Payment and transfer of capital related to direct investments of residents and legal entities, entrepreneurs and physical entities, as well as non-residents in Serbia;

(2) Payments for the purpose of acquiring real estate by residents abroad and non-residents;

(3) Payment for the purpose of purchasing equities abroad which do not represent direct investment, as well as long-term debt securities issued by OECD member countries and international financial organizations, or securities whose level of risk rating and issuer country may be prescribed by the National Bank of Serbia;

(4) However, non-residents may not transfer capital for the purpose of purchasing domestic short-term securities.

Serbian law permits non-residents to keep foreign exchange and dinar accounts without restrictions. These accounts can be used to make or receive payments in foreign currency.

Payments, collections and transfers on current transactions between residents and non-residents are executed freely.

Foreign exchange is readily available and may be purchased through exchange bureaus by physical persons and through commercial banks by legal persons.

¶C. Expropriation and Compensation

In March 2009 the Serbian Parliament approved changes to the 2001 Law on Expropriation. These amendments were enacted in order to harmonize the law with the Constitution, expand the definition of "public interest" which permits expropriation, and clarify

compensation amounts. The Finance Ministry presented the amended law as a "temporary and transitional measure" that will be changed after adoption of a Restitution Law.

The law defines various economic and security justifications in which expropriation is permitted and lays out procedures that must be followed. Previously, expropriation was possible for reasons including: education, public health, social welfare, culture, water management, sports, transport, power and public utility infrastructure, national defense, local/national government needs, environmental protection, protection from weather related damage, exploration for or exploitation of minerals, and housing construction for the poor. The 2009 amendments additionally permit expropriation of land needed for re-settlement of people holding mineral rich lands and property needed for certain joint ventures. Finally, the law clarifies that the competent subject matter courts have jurisdiction over expropriation claims.

Following this determination, a proposal for expropriation may be filed with the competent local authorities. The authorities are obliged to hold proceedings and issue a decision. The Ministry of Finance is designated to resolve complaints filed against first-instance decisions.

In the event of an expropriation, Serbian law requires compensation in the form of similar property or cash approximating the current market value of the expropriated property. The law stipulates various criteria for arriving at the amount of compensation with respect to different types of land (agricultural, vineyards, forests) or easements that affect land value. The local municipal court will intervene and decide compensation if there is not an agreement within two months of the expropriation order.

The Law on Foreign Investment provides safeguards against arbitrary government expropriation of foreign investments. There have been no cases of expropriation of foreign investments in Serbia.

Serbia has outstanding claims, however, related to property nationalized under the Socialist Federal Republic of Yugoslavia. Serbia has not passed a comprehensive law on restitution despite repeated promises to enact such legislation in 2009. According to Serbia's Property Directorate, some 78,000 claims concerning nationalized property have been filed.

¶D. Dispute Settlement

Like most of Europe, Serbia's judicial system is based on European civil law. However, higher court decisions can be used as ??????guidance?????? by lower courts. Serbia??????s judiciary lacked independence and was subject to political manipulation during the communist and Milosevic eras. The Government of Serbia is working to overhaul the court system in order to create an independent, efficient, responsible and transparent judiciary. The U.S. Government, through USAID and the Department of Justice, is providing assistance on improving criminal justice procedure and court reform.

In December 2008, the Parliament approved a package of judicial reform laws including laws on the High Judicial Council, on the State Prosecutors?????? Council, on the Public Prosecution, on Judges, and on the Organization of Courts. The laws create a new network of courts designed to improve the efficiency of the judiciary. They also created High Judicial and State Prosecutors?????? Councils,

which are now responsible for selection, discipline, and dismissal of judges and prosecutors in accordance with EU standards, and for administrative oversight of the courts. In December 2009, the Councils selected prosecutors, deputy prosecutors, judges and magistrates for the new court system and nominated first-time appointees for confirmation. Those appointments took effect on January 1, 2010.

The Agency for Business Registers reduced the average time to register a new business from 51 days in 2005 to 2 days in 2008. The law stipulates that this timeframe should not exceed five days. In December 2009, Parliament approved a new Bankruptcy Law that brings Serbian bankruptcy procedures closer to international standards. Under the 2005 law, the average bankruptcy procedure lasted for three years. The new law introduces ??????automatic bankruptcy?????? for legal entities whose accounts have been blocked for more than three years, and allows debtors and creditors to initiate bankruptcy proceedings. The law aims to provide faster and more equitable settlement of creditors, lower costs, and more rules regarding the roles of bankruptcy trustees and creditors councils. According to the law, foreign creditors have the same rights regarding the commencement of, and participation in, a proceeding under this law as Serbian creditors. Claims in foreign currency are included in the bankruptcy estate in that currency, but they are calculated in the dinar at the dinar exchange rate on the date the bankruptcy proceeding starts.

In May 2006, Serbia enacted its first Law on Arbitration permitting the use of institutional and ad hoc arbitration in all kinds of disputes (commercial, labor, etc.). The law is based on the UN Commission on International Trade Law (UNICTRAL) model law. International arbitration is accepted as a means for settling investment disputes between foreign investors and the state. The Foreign Trade Court of Arbitration (founded in 1947) is located within the Serbian Chamber of Commerce and is a domestic arbitration body. Arbitration is voluntary and conforms to the UNICTRAL model law.

Serbia is a signatory to the following international conventions regulating the mutual acceptance and enforcement of foreign arbitration:

-- 1923 Geneva Protocol on Arbitration Clauses;

-- 1927 Geneva Convention on the Execution of Foreign Arbitration Decisions;

-- 1958 New York Convention on the Acceptance and Execution of Foreign Arbitration Decisions;

-- 1961 European Convention on International Business Arbitration; and,

-- 1965 Washington Convention on the International Center for the Settlement of Investment Disputes (ICSID).

¶E. Performance Requirements and Incentives

In order to provide further financial incentives for foreign and domestic greenfield and brownfield investment in specific industries, the Serbian Government adopted a decree in 2006 to permit cash grants to investment projects in all areas, except for trade, tourism, hospitality and agriculture. Eligible companies must establish new ventures in manufacturing, in services, or in R&D. The incentives and conditions are:

Investments in manufacturing:

-- Available incentive: starting at ??????2,000, up to ??????5,000 for each new employee,

-- Minimum investment: between ??????1 million and ??????5 million, depending on the unemployment rate in the local municipality,

-- Minimum number of new positions: 50.

Investments in international services:

-- Available funds: starting at ??????2,000, up to ??????10,000 per new employee,

-- Minimum investment: ??????1 million

-- Minimum number of new positions: 10.

Investments in the R&D sector:

-- Available funds: starting at ??????5,000 up to ?????10,000 per new employee,

-- Minimum investment: ??????1 million,

-- Minimum number of new positions: 10.

Serbia??????s tax law offers several tax incentives to new investors. Corporate profit tax is levied under the current law at the uniform rate of 10%, with non-residents taxed only on income earned in Serbia. Companies are exempt from corporate profit tax for up to 10 years, from the first year in which they realize profit, if:

1) they invest in fixed assets in an amount exceeding 600 million dinars (approximately $11 million), and

2) during the investment period employ at least 100 additional employees.

Companies that do not meet the requirements for the 10-year exemption still may use an investment tax credit that permits a reduction in tax due equal to 20% of the amount invested in fixed assets for the respective tax period. This reduction may not exceed 50% of the total tax liability. If not used entirely in the course of one year, this tax credit can be carried forward for up to 10 years.

A number of sectors (agriculture, production of yarn and fabrics, garment manufacture, leather processing, production of base metals and standard metal products, production of any sort of machinery, electronic goods, medical instruments, or motor vehicles, recycling, and video production) may obtain a tax credit in the amount of 80% of investments made in fixed assets, with the unused portion carried forward up to 10 years. Small enterprises outside of these sectors may receive tax credits equal to 40% of the amount invested in fixed assets in the current year (credit cannot exceed 70% of the total tax liability).

In addition, the tax law offers incentives for employing new workers. An employer that employs new workers is entitled to a tax reduction equal to 100% of the gross salary. This tax credit is available for two years from the date of employment of new workers, provided that employment is not reduced during that period.

The tax law also provides for accelerated depreciation of fixed assets, tax exemptions for concession-related investments, exemptions from social insurance contributions, income tax credits, and customs duty exemptions for certain goods and equipment imports.

In addition, in July 2008 the Government expanded its 2006 investment incentives. The GoS will refund 25% of investments to each greenfield investor that invests at least ??????200 million and creates 1,000 jobs in the automobile, electronics, information and telecommunications technology industries. These funds are available through 2010.

-- -

¶F. Right to Private Ownership and Establishment

-- -

Private entities can freely establish, acquire and dispose of interests in business enterprises. Private companies compete equally with public enterprises in the market, and in access to credit, supplies and licenses. However, the Public Procurement Law adopted in December 2008 gives preference to domestic suppliers over foreign companies in public purchases if a foreign company??????s
offer is not more than 20% better than the domestic offer (in price and other scored characteristics).

¶G. Protection of Property Rights

According to the World Bank Doing Business 2010 report Serbia ranks 97th among 183 countries with 635 days needed to enforce a contract, while it ranks 105th with 111 days needed to register property. The property register exists in cadastre and in land books. Approximately 88% of all immovable property in Serbia has been registered with the cadastre, under the auspices of the ongoing WB project, while the remaining property should be registered by the end of 2010. The register of movable goods has existed in the Agency for Business Registers since 2005. Serbia has an adequate legal system to protect property.

2009 brought changes to real property laws, but failed to clarify several key issues. In August 2009, Serbia's parliament passed a Planning and Construction Law that focuses on zoning and urban planning, property rights on construction land, construction permitting procedures, and legalization of property titles. In addition, it envisions allowing current leaseholders of construction land to convert their lease and usage rights into ownership rights. The new law would require the land use rights holders to pay the difference between the acquisition price and a yet undetermined current market price to convert to ownership rights. As of January 1, 2010, the government had not yet enacted implementing regulations.

The proceeds from the conversion cost are to be shared equally between local government budgets and a ??????national restitution fund??????;
however, Serbia has failed to enact a restitution law addressing how property nationalized under the Socialist Federal Republic of Yugoslavia will be compensated. Approximately 78,000 restitution

claims have been filed by domestic and international claimants. Serbia needs a clear and transparent restitution law to clarify and resolve land ownership issues.

In December 2005, Serbia adopted a Law on Mortgages that allows

banks to issue mortgages on buildings under construction. The previous law did not permit the registration of unfinished buildings in land registries, making the securing of loans during construction difficult.

Following adoption of these laws Serbia has seen strong growth in housing loans from almost zero to over $2.7 billion by the end of September 2009.

Serbia is making progress on Intellectual Property Rights (IPR) protection with a legal framework in place and with improved state

control over pirated goods. The estimated rate of software piracy rate dropped by 6% in 2008 to the overall rate of 74% giving Serbia a 6th place ranking of countries with the most improved piracy rate, according to the Business Software Alliance Global Software Piracy Study issued May 2009.
http://global.bsa.org/globalpiracy2008/studie s/studybrief.pdf.

Serbia adheres to several key international agreements on IPR. Serbia is a WIPO member and signatory to all key agreements administered by WIPO. Protection for patents, copyrights, trademarks, semiconductor chip layout design, geographical indications and designs is adequate. The Law on Copyright and Related Rights, the Law on Trademarks, the Law on Legal Protection of Designs, the Law on Protection of Integrated Circuit Topographies and Law on Geographical Indications were all updated in 2009 and the Law on Patents was most recently amended in December 2006. All of these laws are compliant with the WTO Trade-Related Aspect of Intellectual Property Rights (TRIPS)agreement. Serbia does not have an Optical Disc Law to combat DVD, CD and software piracy.

Adequate steps have been taken to implement and enforce the WTO TRIPS agreement with TRIPS provisions included in Serbia??????s IPR laws
and enforced by courts and administrative authorities. The Serbian government signed and ratified the WIPO internet treaties on June 13, 2003.

Although pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, are still available, the GoS has stepped up its actions to deal with IPR violations.

The Serbian government continues to pursue membership in the WTO. The government has publicly stated the desire to join the WTO in 2010 and is working to achieve that goal.

As of December 19, 2006 Serbia is a member of the Central European Free Trade Agreement (CEFTA) - a multilateral free trade agreement between Southeast European countries including: Croatia, Macedonia, Serbia, Montenegro, Bosnia-Herzegovina, Albania, Moldova and UNMIK (representing Kosovo). CEFTA aims to facilitate trade and investment in the region with almost 30 million customers. Serbia will serve as CEFTA Chair in 2010.

¶H. Transparency of Regulatory System

According to the World Bank Doing Business 2010 report, which measures business regulation across 183 economies, Serbia was ranked 88 in 2009. This was a weak improvement from its 2008 ranking of 90 and reflects a mixture of major improvements for starting a business and obtaining credit and a slight worsening in dealing with construction permits, employing workers, registering property, protecting investors, paying taxes, trading across

borders and slow processes for closing a business.

In 2008 the Government announced a "regulatory guillotine"

initiative. The goal of the initiative is to remove one third, or 15,000, of Serbia??????s unnecessary and outdated regulations in order
to make the regulatory system more efficient, increase competitiveness, and attract private investment. The initiative is led by the Economy and Regional Development Ministry and the business community has taken an active role in making suggestions about regulations that should be changed or eliminated. In December 2009, the Government approved a first package of improvements that annul 208 by-laws. A second package of 600 regulations to be annulled, changed or amended is planned for 2010. This initiative is projected to reduce the cost of doing business by more than $300 million per year.

To establish transparent rules and regulations, foster competition and attract investments, the Government of Serbia has established most of the necessary independent agencies and bodies, including the State Auditing Institution, Anti-Monopoly Commission, Energy Regulatory Agency and Regulatory Agency for Telecommunications.

-- -------

¶I. Efficient Capital Markets and Portfolio Investment

-- -------

The banking sector comprises 90% of the total assets of the financial sector in Serbia. By the end of September 2009, consolidation had reduced the sector to 34 banks with total assets of $31 billion (about 66% of GDP), with 75% of the market held by foreign-owned banks. After several years without issuing new licenses, meaning foreign banks could enter the Serbian market only through the acquisiton of a local bank, the National Bank of Serbia issued a new banking license to the Bank of Moscow in 2008.

The banking sector successfully managed the recent economic crisis, largely due to conservative monetary policies over the past several years which required high capital adequacy ratios and high liquidity. The banking sector has recovered from panic withdrawals in October 2008 when over $1.4 billion, representing 20% of total deposits, was withdrawn. These withdrawals were triggered by consumer fears of the current global economic crisis and their experiences in the recent past. The banks honored all deposits and appear to have regained consumer trust, as evidenced by the gradual return of all the withdrawn deposits to the banks during 2009. In November 2009 savings in the banking sector reached $8 billion, exceeding the pre-crisis October 2008 level.

Serbia has a capital market infrastructure, but the equity and bond markets are underdeveloped. Securities are traded at the Belgrade Stock Exchange (BSE). Out of 1,750 companies listed on the market, only about 100 companies trade regularly (more than once a week). Total annual turnover at the BSE was halved in 2008 to $1.2 billion. This drop is generally attributed to the global economic crisis.

The Securities Commission (SC), established in 1995, regulates the securities market. The SC supervises investment funds in accordance with the Investment Funds Law that came into force in January 2006 and was amended in July 2009. As of January 2010 there were 19 registered investment funds.

¶J. Corporate Social Responsibility

Corporate social responsibility (CSR) is a relatively new concept in Serbia. The foreign business community has provided leadership and awareness building efforts in this area.

¶K. Political Violence

Since October 2000, Serbia has been led by democratically-elected governments that have publicly committed to supporting stability and security in the region.

There is continuing localized violence between competing political groups in the Sandzak region of Serbia. This violence is usually directed at opposing party figures and has not targeted unrelated civilians or businesses.

Immediately following Kosovo's February 17, 2008 declaration of independence from Serbia, groups twice broke away from larger demonstrations and attacked embassies of countries that had recognized Kosovo. Since these attacks in February 2008 there have been no additional incidents.

Following the assassination of Serbia??????s prime minister in the spring of 2003 by a criminal group, the government launched a crackdown on organized crime. Starting in 2008, the government passed and began implementing new legislation that strengthens the tools available to law enforcement and prosecutors to combat organized crime. The government has also increased cooperation with other governments in the region resulting most notably in the April 2009 arrest by Serbian police of a leading Serbian organized crime figure wanted by Croatian police on charges related to the murder of a prominent Croatian newspaper owner.

Organized crime in Serbia is frequently linked to sports hooliganism. In 2009, sports hooligans in Serbia attacked and killed a visiting French national. The government responded with a renewed crackdown on organized crime and sports clubs promoting hooliganism.

¶L. Corruption

In October 2008, the Serbian Parliament approved the creation of the Anti-Corruption Agency (ACA), changes to the Law on Financing of Political Parties, the Law on Confiscation of Property from the Criminal Acts, and the Law on Responsibilities of Legal Entities for Criminal Acts.

The ACA, which became fully operational effective January 1, 2010, is an independent government body accountable to the Serbian

Parliament, charged with unifying current anti-corruption activities, including: enforcing the National Strategy to Fight Corruption, monitoring conflict of interest settlement, tracking politicians?????? property and assets, monitoring political party financing, and facilitating international anti-corruption cooperation.

Serbia is a signatory to the Council of Europe Civil Law Convention on Corruption and has ratified the Council's Criminal Law Convention on Corruption, the United Nations Convention Against Transnational Organized Crime, and the United Nations Convention Against Corruption. It is also a member of GRECO (the Group of States against Corruption), a peer monitoring organization that allows members to assess anti-corruption efforts on a continuing basis.

In Serbia, both giving and receiving a bribe is a crime. Bribes by local companies to foreign officials are also criminal acts punishable by law.

The Serbian Parliament passed an Anti-Money Laundering and Counter-Terrorism Law in 2009 that requires information on financial transactions to be reported to the Anti-Money Laundering Unit of the Ministry of Finance. Financial institutions, attorneys, and accountants are obligated to report information to the Unit that may be linked to money laundering.

In the 2009 Corruption Perception Index survey compiled by Transparency International (TI), an international anti-corruption watchdog organization, Serbia received an index score of 3.5 out of 10 (10 being best). This is a 0.1 point improvement over 2008. The survey ranks Serbia 83rd out of 180 countries.

¶M. Bilateral Investment Agreements

Serbia has 45 investment protection treaties/agreements with the following countries: Albania, Austria, Belarus, Belgium and Luxemburg, Bosnia and Herzegovina, Bulgaria, Russia, China, Cyprus, Croatia, Cuba, Czech Republic, Democratic People??????s Republic of Korea, Denmark, Egypt, Finland, Macedonia, France, Germany, Ghana, Greece, Guinea, Hungary, Holland, India, Iran, Israel, Italy, Kuwait, Libya, Lithuania, Nigeria, Montenegro, Poland, Romania, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Ukraine, Zimbabwe.

The United States does not have a Bilateral Investment Treaty (BIT) with Serbia.

In April 2008, the Government signed the Stabilization and Association Agreement with the EU, however, the EU put on hold implementation of the SAA's interim trade agreement with Serbia pending fulfillment of cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Serbia unilaterally applied the interim trade agreement beginning February 1, 2009. In December 2009, the EU Council of Ministers decided to implement the interim trade agreement following a positive report from the ICTY prosecutor on Serbia's cooperation.

-- -

¶N. OPIC and Other Investment Insurance Programs

-- -

Serbia and Montenegro signed a Bilateral Agreement with the U.S. Overseas Private Investment Corporation (OPIC) in July 2001 and became eligible for OPIC programs in November 2001 with ratification of the Agreement. OPIC products include:

--(1) insurance for investors against political risk, expropriation, damages due to political violence and currency convertibility; and

--(2) insurance for certain contracting, exporting, licensing and leasing transactions.

For more information see: http://www.opic.gov.

Since July 2009, OPIC has suspended further activities in Serbia involving either the Government of Serbia or the Privatization Agency as a result of the Privatization Agency??????s failure to comply
with an April 2007 International Chamber of Commerce (ICC) ruling in a case in which OPIC has an interest. The suspension also extends to projects in which the investor is required to post an on-demand guarantee and projects as to which the parties have agreed to a dispute resolution procedure.

Serbia became a member of the Multilateral Investment Guarantee Agency (MIGA) -- a World Bank affiliate ?????? in April 2002.

¶O. Labor

Serbia has a total labor force of approximately 3.1 million people, with 2.6 million employed and 517,369 unemployed or 16.6%, according to ILO 2009 methodology. Approximately 540,000 work in the agriculture sector.

The private sector employs approximately 69% of workers in Serbia, while 27.4% are employed in the state-owned sector including the government and state-owned companies. As a result of privatization, only 2% remain in socially-owned companies. The public payroll is heavy and government job cuts are scheduled in ¶2010. At the national level, approximately 7% of positions are to be eliminated (from 30,500 to 28,400 employees). On the local and provincial level, the goal is the reduce the numbers by roughly 15%, or 5,600 of 38,000 employees.

Labor costs are relatively low in Serbia. The minimum wage for the period July-December 2009 was set by the Social Economic Council at approximately $230 per month. According to figures released in December 2009, the average take-home salary in November 2009 was approximately $470.

¶P. Foreign-Trade Zones/Free Ports

Four trade zones, in the cities of Pirot, Novi Sad, Zrenjanin and Subotica, have government approval under the 2006 Law on Free Zones.

The law allows up to 100% foreign ownership of the managing company of the free trade zone. Companies working in the free trade zone do not have customs or tax incentives for export but have customs and tax incentives for work within the zone. Goods intended for processing in the zone are exempt from customs duty and other import duties.

¶Q. Foreign Direct Investment Statistics

Total foreign direct investment (FDI) in 2009 is estimated at approximately $2 billion. SIEPA reports that FDI for the first ten months of 2009 was $1.6 billion.

The largest 2009 FDI transaction involved the Russian entity Gaspromneft which paid $550 million for 51% of the state owned Nafta Industria Serbia (NIS) petroleum industry. Other main FDI vehicles in 2009 related to greenfield investments, which accounted for 90% of FDI transactions in 2009. Excavation of ore and stones, real estate and trade were the leading FDI sectors, followed by manufacturing, energy, car spare parts production and textiles.

According to SIEPA, the leading investor country in Serbia in 2009 was Russia, followed by Austria, Netherlands, Italy, and Switzerland. Many U.S.-based firms invest through subsidiaries in the Netherlands.

¶R. Major 2009 Transactions

The following were some major FDI transactions announced in Serbia in 2009:

Company: Gazprom
Country: Russia
Investment: $550 million for 51% of state-owned oil industry NIS with $670 million of additional investment promised by 2012.

Company: MPC Properties and Merrill Lynch Country: Serbia and U.S.

Investment: $215 million to build a 130,000 square meter shopping mall in Belgrade (Usce)

Company: Fiat

Country: Italy

Investment: $143 million in a joint venture Fiat Automobiles Serbia
Company: Kika

Country: Austria

Investment: $42 million in opening furniture shopping center

Company: Calzedonia

Country: Italy

Investment: $28 million in opening a textile factory

Company: Leoni

Country: Germany

Investment: $28 million in car spare parts facility

Company: Grah Automotive

Country: Slovenia

Investment: $16 million in car spare parts facility

Company: Reum

Country: Germany

Investment: $14 million in car spare parts facility
PEDERSON